

**GOOD MORNING MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE.**

**THANK YOU FOR THE OPPORTUNITY TO CONTINUE OUR DISCUSSIONS REGARDING THE PROPOSED CHANGES TO THE TORT THRESHOLD IN MICHIGAN. MY NAME IS PETER KUHNMUENCH, EXECUTIVE DIRECTOR FOR THE INSURANCE INSTITUTE OF MICHIGAN. OUR MEMBER COMPANIES WRITE 73 PERCENT OF THE AUTOMOBILE INSURANCE POLICIES IN MICHIGAN AND 66 PERCENT OF THE HOME OWNERS POLICIES.**

**LAST WEEK, REPRESENTATIVES FROM THE INSURANCE INDUSTRY AS WELL AS REPRESENTATIVES OF THE COALITION PROTECTING AUTO NO-FAULT DISCUSSED HOUSE BILL 4301. TODAY, YOU HEARD A NATIONAL PERSPECTIVE AND FROM ONE OF OUR MEMBERS AS TO THE IMPACT THAT THIS LEGISLATION WILL HAVE ON YOUR CONSTITUENTS.**

**REST ASSURED THIS LEGISLATION WILL IMPACT THEIR POCKETBOOKS AT A TIME WHEN MANY ARE ALREADY STRUGGLING. OUR MEMBER COMPANIES ESTIMATE THAT THIS ONE PIECE OF LEGISLATION WILL INCREASE AVERAGE WRITTEN MICHIGAN AUTOMOBILE INSURANCE PREMIUMS, ANYWHERE FROM 15 TO 43 PERCENT. THAT'S THE BOTTOM LINE.**

**MICHIGAN AUTO INSURANCE POLICYHOLDERS ALREADY PAY FOR THE MOST GENEROUS LEVEL OF BENEFITS IN THE COUNTRY. THIS BILL WOULD MAKE THEM PAY FOR THE HIGHEST BENEFITS, AND FOR MORE PEOPLE – WHOSE INJURIES HAVE NOT AFFECTED THEIR ABILITY TO LEAD A NORMAL LIFE – TO SUE FOR ADDITIONAL DAMAGES AS WELL.**

THE FACT IS, THE PREMISE OF OUR NO-FAULT INSURANCE SYSTEM IS THE DELICATE BALANCE BETWEEN COMPREHENSIVE AND PROMPT BENEFITS IN EXCHANGE FOR LIMITS ON LAWSUITS, EXCEPT IN CASES OF THE MOST SERIOUS OF INJURIES WHICH AFFECT YOUR ABILITY TO LEAD A NORMAL LIFE. HOUSE BILL 4301 WILL DESTROY THIS FUNDAMENTAL BALANCE AND WILL OPEN THE FLOODGATES TO COUNTLESS LAWSUITS.

YOU'VE HEARD TESTIMONY THAT THE 2004 KREINER DECISION PROVIDED GUIDANCE TO THE LOWER COURTS IN DETERMINING IF AN INJURY IMPACTED A PERSON'S GENERAL ABILITY TO CONDUCT HIS/HER LIFE. THESE INSTRUCTIONS HAVE BROUGHT CONSISTENCY TO SUBSEQUENT COURT DECISIONS AND STABILITY TO THE AUTO INSURANCE MARKETPLACE. IN 2006, AUTO INSURANCE RATES IN MICHIGAN DECREASED 2 PERCENT AND ARE EXPECTED TO CONTINUE THAT DECLINE IN 2007. THESE RATE DECREASES HAVE OCCURRED NOT BECAUSE OF LIMITS ON LAWSUITS, BUT BECAUSE OF FEWER ACCIDENTS AND LESS SEVERE INJURIES.

THESE RATE DECREASES WILL BECOME SIGNIFICANT RATE INCREASES UNDER HOUSE BILL 4301, HURTING ALL OF MICHIGAN POLICYHOLDERS.

SINCE THE KREINER DECISION, THE SKY HASN'T FALLEN IN MICHIGAN. IN FACT, THERE HASN'T BEEN A REDUCTION IN THE PERCENT OF AUTO NEGLIGENCE CASES FILED IN MICHIGAN. IN 2003, THE YEAR PRIOR TO THE KREINER DECISION, AUTO NEGLIGENCE CASES REPRESENTED 20 PERCENT OF ALL CIVIL CASES FILED IN MICHIGAN. IN 2005, THEY REMAIN 20 PERCENT OF ALL CIVIL LAWSUITS FILED.

IT IS TRUE WHEN THERE IS A THRESHOLD, THERE WILL BE PEOPLE WHO ALMOST, BUT DO NOT QUITE MEET THAT THRESHOLD. THAT WILL BE THE CASE NO MATTER WHAT THE STANDARD. REMEMBER, WE ARE TALKING ABOUT NON-ECONOMIC DAMAGES. SOME INJURED PERSONS MAY NOT MEET THE THRESHOLD FOR THESE AWARDS, BUT HAVE ALREADY RECEIVED UNMATCHED MEDICAL BENEFITS AND WILL CONTINUE TO RECEIVE THOSE BENEFITS FOR THE REST OF THEIR LIVES, IF NECESSARY. THEY ALSO MAY HAVE RECEIVED WAGE LOSS BENEFITS AND ADDITIONAL BENEFITS TO PAY FOR SERVICES THEY CAN NO LONGER PERFORM.

NO-FAULT INSURANCE SYSTEMS RELY ON THE BASIC PREMISE OF A TRADE OFF BETWEEN IMMEDIATE MEDICAL BENEFITS AND LIMITS ON THESE LAWSUITS. THE GREATER THE BENEFITS, THE MORE RESTRICTIVE THE LIMIT MUST BE ON LAWSUITS TO MAINTAIN INSURANCE COVERAGE AT AN AFFORDABLE LEVEL.

OUR MICHIGAN NO-FAULT LAW IS WIDELY RECOGNIZED AS THE BEST. ACCORDING TO A RECENT ARTICLE IN THE *DETROIT FREE PRESS*, IT IS "A MODEL LAW NATIONALLY." ADOPTING HOUSE BILL 4301 WILL TOPPLE THIS MODEL LAW AND SIGNIFICANTLY INCREASE AUTO INSURANCE COSTS FOR ALL OF YOUR CONSTITUENTS.

THIS LEGISLATION HAS SERIOUS CONSEQUENCES FOR MICHIGAN'S CITIZENS. PLEASE MAKE SURE YOU UNDERSTAND AND APPRECIATE THE RAMIFICATIONS OF YOUR VOTE.

I THANK YOU FOR YOUR ATTENTION THIS MORNING AND WOULD BE HAPPY TO ANSWER ANY QUESTIONS THAT THE COMMITTEE MAY HAVE.